

109TH CONGRESS  
1ST SESSION

# S. 1447

To amend the Internal Revenue Code of 1986 to make technical corrections,  
and for other purposes.

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IN THE SENATE OF THE UNITED STATES

JULY 21, 2005

Mr. GRASSLEY (for himself and Mr. BAUCUS) introduced the following bill;  
which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to make  
technical corrections, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE;**

4 **TABLE OF CONTENTS.**

5 (a) SHORT TITLE.—This Act may be cited as the  
6 “Tax Technical Corrections Act of 2005”.

7 (b) AMENDMENT OF 1986 CODE.—Except as other-  
8 wise expressly provided, whenever in this Act an amend-  
9 ment or repeal is expressed in terms of an amendment  
10 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-  
 2 sion of the Internal Revenue Code of 1986.

3 (c) TABLE OF CONTENTS.—The table of contents for  
 4 this Act is as follows:

- Sec. 1. Short title; amendment of 1986 Code; table of contents.
- Sec. 2. Amendments related to the American Jobs Creation Act of 2004.
- Sec. 3. Amendments related to the Working Families Tax Relief Act of 2004.
- Sec. 4. Amendments related to the Jobs and Growth Tax Relief Reconciliation Act of 2003.
- Sec. 5. Amendment related to the Victims of Terrorism Tax Relief Act of 2001.
- Sec. 6. Amendment related to the Transportation Equity Act for the 21st Century.
- Sec. 7. Amendments related to the Taxpayer Relief Act of 1997.
- Sec. 8. Clerical corrections.
- Sec. 9. Other corrections related to the American Jobs Creation Act of 2004.

5 **SEC. 2. AMENDMENTS RELATED TO THE AMERICAN JOBS**  
 6 **CREATION ACT OF 2004.**

7 (a) AMENDMENTS RELATED TO SECTION 102 OF  
 8 THE ACT.—

9 (1) Paragraph (1) of section 199(b) is amended  
 10 by striking “the employer” and inserting “the tax-  
 11 payer”.

12 (2) Paragraph (2) of section 199(b) is amended  
 13 to read as follows:

14 “(2) W-2 WAGES.—For purposes of this sec-  
 15 tion, the term ‘W-2 wages’ means, with respect to  
 16 any person for any taxable year of such person, the  
 17 sum of the amounts described in paragraphs (3) and  
 18 (8) of section 6051(a) paid by such person with re-  
 19 spect to employment of employees by such person  
 20 during the calendar year ending during such taxable

1 year. Such term shall not include any amount which  
2 is not properly included in a return filed with the  
3 Social Security Administration on or before the 60th  
4 day after the due date (including extensions) for  
5 such return.”.

6 (3) Subparagraph (B) of section 199(c)(1) is  
7 amended by inserting “and” at the end of clause (i),  
8 by striking clauses (ii) and (iii), and by inserting  
9 after clause (i) the following:

10 “(ii) other expenses, losses, or deduc-  
11 tions (other than the deduction allowed  
12 under this section), which are properly al-  
13 locable to such receipts.”.

14 (4) Paragraph (2) of section 199(c) is amended  
15 to read as follows:

16 “(2) ALLOCATION METHOD.—The Secretary  
17 shall prescribe rules for the proper allocation of  
18 items described in paragraph (1) for purposes of de-  
19 termining qualified production activities income.  
20 Such rules shall provide for the proper allocation of  
21 items whether or not such items are directly allo-  
22 cable to domestic production gross receipts.”.

23 (5) Subparagraph (A) of section 199(c)(4) is  
24 amended by striking clauses (ii) and (iii) and insert-  
25 ing the following new clauses:

1 “(ii) in the case of a taxpayer engaged  
 2 in the active conduct of a construction  
 3 trade or business, construction of real  
 4 property performed in the United States  
 5 by the taxpayer in the ordinary course of  
 6 such trade or business, or

7 “(iii) in the case of a taxpayer en-  
 8 gaged in the active conduct of an engineer-  
 9 ing or architectural services trade or busi-  
 10 ness, engineering or architectural services  
 11 performed in the United States by the tax-  
 12 payer in the ordinary course of such trade  
 13 or business with respect to the construc-  
 14 tion of real property in the United  
 15 States.”.

16 (6) Subparagraph (B) of section 199(c)(4) is  
 17 amended by striking “and” at the end of clause (i),  
 18 by striking the period at the end of clause (ii) and  
 19 inserting “, or”, and by adding at the end the fol-  
 20 lowing:

21 “(iii) the lease, rental, license, sale,  
 22 exchange, or other disposition of land.”.

23 (7) Paragraph (4) of section 199(c) is amended  
 24 by adding at the end the following new subpara-  
 25 graphs:

1           “(C) SPECIAL RULE FOR CERTAIN GOV-  
2           ERNMENT CONTRACTS.—Gross receipts derived  
3           from the manufacture or production of any  
4           property described in subparagraph (A)(i)(I)  
5           shall be treated as meeting the requirements of  
6           subparagraph (A)(i) if—

7                   “(i) such property is manufactured or  
8                   produced by the taxpayer pursuant to a  
9                   contract with the Federal Government, and

10                   “(ii) the Federal Acquisition Regula-  
11                   tion requires that title or risk of loss with  
12                   respect to such property be transferred to  
13                   the Federal Government before the manu-  
14                   facture or production of such property is  
15                   complete.

16           “(D) PARTNERSHIPS OWNED BY EX-  
17           PANDED AFFILIATED GROUPS.—For purposes  
18           of this paragraph, if all of the interests in the  
19           capital and profits of a partnership are owned  
20           by members of a single expanded affiliated  
21           group at all times during the taxable year of  
22           such partnership, the partnership and all mem-  
23           bers of such group shall be treated as a single  
24           taxpayer during such period.”.

1           (8) Paragraph (1) of section 199(d) is amended  
2           to read as follows:

3           “(1) APPLICATION OF SECTION TO PASS-THRU  
4           ENTITIES.—

5           “(A) PARTNERSHIPS AND S CORPORA-  
6           TIONS.—In the case of a partnership or S cor-  
7           poration—

8           “(i) this section shall be applied at the  
9           partner or shareholder level,

10          “(ii) each partner or shareholder shall  
11          take into account such person’s allocable  
12          share of each item described in subpara-  
13          graph (A) or (B) of subsection (c)(1) (de-  
14          termined without regard to whether the  
15          items described in such subparagraph (A)  
16          exceed the items described in such sub-  
17          paragraph (B)), and

18          “(iii) each partner or shareholder  
19          shall be treated for purposes of subsection  
20          (b) as having W–2 wages for the taxable  
21          year in an amount equal to the lesser of—

22                 “(I) such person’s allocable share  
23                 of the W–2 wages of the partnership  
24                 or S corporation for the taxable year

1 (as determined under regulations pre-  
 2 scribed by the Secretary), or

3 “(II) 2 times 9 percent of so  
 4 much of such person’s qualified pro-  
 5 duction activities income as is attrib-  
 6 utable to items allocated under clause  
 7 (ii) for the taxable year.

8 “(B) TRUSTS AND ESTATES.—In the case  
 9 of a trust or estate—

10 “(i) the items referred to in subpara-  
 11 graph (A)(ii) (as determined therein) and  
 12 the W-2 wages of the trust or estate for  
 13 the taxable year, shall be apportioned be-  
 14 tween the beneficiaries and the fiduciary  
 15 (and among the beneficiaries) under regu-  
 16 lations prescribed by the Secretary, and

17 “(ii) for purposes of paragraph (2),  
 18 adjusted gross income of the trust or es-  
 19 tate shall be determined as provided in sec-  
 20 tion 67(e) with the adjustments described  
 21 in such paragraph.

22 “(C) REGULATIONS.—The Secretary may  
 23 prescribe rules requiring or restricting the allo-  
 24 cation of items and wages under this paragraph

1 and may prescribe such reporting requirements  
 2 as the Secretary determines appropriate.”.

3 (9) Paragraph (3) of section 199(d) is amended  
 4 to read as follows:

5 “(3) AGRICULTURAL AND HORTICULTURAL CO-  
 6 OPERATIVES.—

7 “(A) DEDUCTION ALLOWED TO PA-  
 8 TRONS.—Any person who receives a qualified  
 9 payment from a specified agricultural or horti-  
 10 cultural cooperative shall be allowed for the tax-  
 11 able year in which such payment is received a  
 12 deduction under subsection (a) equal to the por-  
 13 tion of the deduction allowed under subsection  
 14 (a) to such cooperative which is—

15 “(i) allowed with respect to the por-  
 16 tion of the qualified production activities  
 17 income to which such payment is attrib-  
 18 utable, and

19 “(ii) identified by such cooperative in  
 20 a written notice mailed to such person dur-  
 21 ing the payment period described in section  
 22 1382(d).

23 “(B) COOPERATIVE DENIED DEDUCTION  
 24 FOR PORTION OF QUALIFIED PAYMENTS.—The  
 25 taxable income of a specified agricultural or



horticultural cooperative shall not be reduced under section 1382 by reason of that portion of any qualified payment as does not exceed the deduction allowable under subparagraph (A) with respect to such payment.

“(C) TAXABLE INCOME OF COOPERATIVES DETERMINED WITHOUT REGARD TO CERTAIN DEDUCTIONS.—For purposes of this section, the taxable income of a specified agricultural or horticultural cooperative shall be computed without regard to any deduction allowable under subsection (b) or (c) of section 1382 (relating to patronage dividends, per-unit retain allocations, and nonpatronage distributions).

“(D) SPECIAL RULE FOR MARKETING COOPERATIVES.—For purposes of this section, a specified agricultural or horticultural cooperative described in subparagraph (F)(ii) shall be treated as having manufactured, produced, grown, or extracted in whole or significant part any qualifying production property marketed by the organization which its patrons have so manufactured, produced, grown, or extracted.

“(E) QUALIFIED PAYMENT.—For purposes of this paragraph, the term ‘qualified payment’

1 means, with respect to any person, any amount  
 2 which—

3 “(i) is described in paragraph (1) or  
 4 (3) of section 1385(a),

5 “(ii) is received by such person from  
 6 a specified agricultural or horticultural co-  
 7 operative, and

8 “(iii) is attributable to qualified pro-  
 9 duction activities income with respect to  
 10 which a deduction is allowed to such coop-  
 11 erative under subsection (a).

12 “(F) SPECIFIED AGRICULTURAL OR HORTI-  
 13 CULTURAL COOPERATIVE.—For purposes of  
 14 this paragraph, the term ‘specified agricultural  
 15 or horticultural cooperative’ means an organiza-  
 16 tion to which part I of subchapter T applies  
 17 which is engaged—

18 “(i) in the manufacturing, production,  
 19 growth, or extraction in whole or signifi-  
 20 cant part of any agricultural or horti-  
 21 cultural product, or

22 “(ii) in the marketing of agricultural  
 23 or horticultural products.”.

24 (10) Clause (i) of section 199(d)(4)(B) is  
 25 amended—

1 (A) by striking “50 percent” and inserting  
2 “more than 50 percent”, and

3 (B) by striking “80 percent” and inserting  
4 “at least 80 percent”.

5 (11)(A) Paragraph (6) of section 199(d) is  
6 amended to read as follows:

7 “(6) COORDINATION WITH MINIMUM TAX.—For  
8 purposes of determining alternative minimum tax-  
9 able income under section 55—

10 “(A) the deduction under this section shall  
11 be determined without regard to any adjust-  
12 ments under sections 56 through 59, and

13 “(B) in the case of a corporation, sub-  
14 section (a)(1)(B) shall be applied by sub-  
15 stituting ‘alternative minimum taxable income’  
16 for ‘taxable income’.”.

17 (B) Paragraph (2) of section 199(a) is amended  
18 by striking “subsections (d)(1) and (d)(6)” and in-  
19 serting “subsection (d)(1)”.

20 (12) Subsection (d) of section 199 is amended  
21 by redesignating paragraph (7) as paragraph (8)  
22 and by inserting after paragraph (6) the following  
23 new paragraph:

24 “(7) UNRELATED BUSINESS TAXABLE IN-  
25 COME.—For purposes of determining the tax im-

1 posed by section 511, subsection (a)(1)(B) shall be  
 2 applied by substituting ‘unrelated business taxable  
 3 income’ for ‘taxable income’.”.

4 (13) Subsection (d) of section 199, as amended  
 5 by the preceding paragraphs of this subsection, is  
 6 further amended by redesignating paragraph (8) as  
 7 paragraph (9) and by inserting after paragraph (7)  
 8 the following new paragraph:

9 “(8) COORDINATION WITH CARRYOVER OF NET  
 10 OPERATING LOSS.—The deduction allowable under  
 11 this section shall not be taken into account for pur-  
 12 poses of computing taxable income under section  
 13 172(b)(2).”.

14 (14) Paragraph (9) of section 199(d), as redes-  
 15 ignated by the preceding paragraphs of this sub-  
 16 section, is amended by inserting “, including regula-  
 17 tions which prevent more than 1 taxpayer from  
 18 being allowed a deduction under this section with re-  
 19 spect to any activity described in subsection  
 20 (c)(4)(A)(i)” before the period at the end.

21 (15) Clause (i) of section 163(j)(6)(A) is  
 22 amended by striking “and” at the end of subclause  
 23 (II), by redesignating subclause (III) as subclause  
 24 (IV), and by inserting after subclause (II) the fol-  
 25 lowing new subclause:

1 “(III) any deduction allowable  
2 under section 199, and”.

3 (16) Paragraph (2) of section 170(b) is amend-  
4 ed by redesignating subparagraphs (C) and (D) as  
5 subparagraphs (D) and (E), respectively, and by in-  
6 serting after subparagraph (B) the following new  
7 subparagraph:

8 “(C) section 199,”.

9 (17) Paragraph (1) of section 613A(d) is  
10 amended by redesignating subparagraphs (B), (C),  
11 and (D) as subparagraphs (C), (D), and (E), respec-  
12 tively, and by inserting after subparagraph (A) the  
13 following new subparagraph:

14 “(B) any deduction allowable under section  
15 199,”.

16 (18) Subsection (e) of section 102 of the Amer-  
17 ican Jobs Creation Act of 2004 is amended to read  
18 as follows:

19 “(e) EFFECTIVE DATE.—

20 “(1) IN GENERAL.—The amendments made by  
21 this section shall apply to taxable years beginning  
22 after December 31, 2004.

23 “(2) APPLICATION TO PASS-THRU ENTITIES,  
24 ETC.—In determining the deduction under section  
25 199 of the Internal Revenue Code of 1986 (as added

1 by this section), items arising from a taxable year of  
2 a partnership, S corporation, estate, or trust begin-  
3 ning before January 1, 2005, shall not be taken into  
4 account for purposes of subsection (d)(1) of such  
5 section.”.

6 (b) AMENDMENTS RELATED TO SECTION 231 OF  
7 THE ACT.—

8 (1) Clause (ii) of section 1361(c)(1)(A) is  
9 amended by inserting “(and their estates)” after “all  
10 members of the family”.

11 (2) Subparagraph (C) of section 1361(c)(1) is  
12 amended to read as follows:

13 “(C) EFFECT OF ADOPTION, ETC.—For  
14 purposes of this paragraph, any legally adopted  
15 child of an individual, any child who is lawfully  
16 placed with an individual for legal adoption by  
17 the individual, and any eligible foster child of  
18 an individual (within the meaning of section  
19 152(f)(1)(C)), shall be treated as a child of  
20 such individual by blood.”.

21 (c) AMENDMENT RELATED TO SECTION 235 OF THE  
22 ACT.—Subsection (b) of section 235 of the American Jobs  
23 Creation Act of 2004 is amended by striking “taxable  
24 years beginning” and inserting “transfers”.

1 (d) AMENDMENTS RELATED TO SECTION 243 OF  
2 THE ACT.—

3 (1) Paragraph (7) of section 856(c) is amended  
4 to read as follows:

5 “(7) RULES OF APPLICATION FOR FAILURE TO  
6 SATISFY PARAGRAPH (4).—

7 “(A) IN GENERAL.—A corporation, trust,  
8 or association that fails to meet the require-  
9 ments of paragraph (4) (other than a failure to  
10 meet the requirements of paragraph (4)(B)(iii)  
11 which is described in subparagraph (B)(i) of  
12 this paragraph) for a particular quarter shall  
13 nevertheless be considered to have satisfied the  
14 requirements of such paragraph for such quar-  
15 ter if—

16 “(i) following the corporation, trust,  
17 or association’s identification of the failure  
18 to satisfy the requirements of such para-  
19 graph for a particular quarter, a descrip-  
20 tion of each asset that causes the corpora-  
21 tion, trust, or association to fail to satisfy  
22 the requirements of such paragraph at the  
23 close of such quarter of any taxable year is  
24 set forth in a schedule for such quarter

1 filed in accordance with regulations pre-  
 2 scribed by the Secretary,

3 “(ii) the failure to meet the require-  
 4 ments of such paragraph for a particular  
 5 quarter is due to reasonable cause and not  
 6 due to willful neglect, and

7 “(iii)(I) the corporation, trust, or as-  
 8 sociation disposes of the assets set forth on  
 9 the schedule specified in clause (i) within  
 10 6 months after the last day of the quarter  
 11 in which the corporation, trust or associa-  
 12 tion’s identification of the failure to satisfy  
 13 the requirements of such paragraph oc-  
 14 curred or such other time period prescribed  
 15 by the Secretary and in the manner pre-  
 16 scribed by the Secretary, or

17 “(II) the requirements of such para-  
 18 graph are otherwise met within the time  
 19 period specified in subclause (I).

20 “(B) RULE FOR CERTAIN DE MINIMIS  
 21 FAILURES.—A corporation, trust, or association  
 22 that fails to meet the requirements of para-  
 23 graph (4)(B)(iii) for a particular quarter shall  
 24 nevertheless be considered to have satisfied the



1 requirements of such paragraph for such quar-  
2 ter if—

3 “(i) such failure is due to the owner-  
4 ship of assets the total value of which does  
5 not exceed the lesser of—

6 “(I) 1 percent of the total value  
7 of the trust’s assets at the end of the  
8 quarter for which such measurement  
9 is done, and

10 “(II) \$10,000,000, and

11 “(ii)(I) the corporation, trust, or asso-  
12 ciation, following the identification of such  
13 failure, disposes of assets in order to meet  
14 the requirements of such paragraph within  
15 6 months after the last day of the quarter  
16 in which the corporation, trust or associa-  
17 tion’s identification of the failure to satisfy  
18 the requirements of such paragraph oc-  
19 curred or such other time period prescribed  
20 by the Secretary and in the manner pre-  
21 scribed by the Secretary, or

22 “(II) the requirements of such para-  
23 graph are otherwise met within the time  
24 period specified in subclause (I).

25 “(C) TAX.—

1           “(i) TAX IMPOSED.—If subparagraph  
2           (A) applies to a corporation, trust, or asso-  
3           ciation for any taxable year, there is here-  
4           by imposed on such corporation, trust, or  
5           association a tax in an amount equal to  
6           the greater of—

7                       “(I) \$50,000, or

8                       “(II) the amount determined  
9                       (pursuant to regulations promulgated  
10                      by the Secretary) by multiplying the  
11                      net income generated by the assets  
12                      described in the schedule specified in  
13                      subparagraph (A)(i) for the period  
14                      specified in clause (ii) by the highest  
15                      rate of tax specified in section 11.

16           “(ii) PERIOD.—For purposes of clause  
17           (i)(II), the period described in this clause  
18           is the period beginning on the first date  
19           that the failure to satisfy the requirements  
20           of such paragraph (4) occurs as a result of  
21           the ownership of such assets and ending on  
22           the earlier of the date on which the trust  
23           disposes of such assets or the end of the  
24           first quarter when there is no longer a fail-  
25           ure to satisfy such paragraph (4).

1 “(iii) ADMINISTRATIVE PROVISIONS.—  
 2 For purposes of subtitle F, the taxes im-  
 3 posed by this subparagraph shall be treat-  
 4 ed as excise taxes with respect to which the  
 5 deficiency procedures of such subtitle  
 6 apply.”.

7 (2) Subsection (m) of section 856 is amended  
 8 by adding at the end the following new paragraph:

9 “(6) TRANSITION RULE.—

10 “(A) IN GENERAL.—Notwithstanding para-  
 11 graph (2)(C), securities held by a trust shall  
 12 not be considered securities held by the trust  
 13 for purposes of subsection (c)(4)(B)(iii)(III) if  
 14 such securities—

15 “(i) were held by such trust on Octo-  
 16 ber 22, 2004, and continuously thereafter,  
 17 and

18 “(ii) would not be taken into account  
 19 for purposes of such subsection by reason  
 20 of paragraph (7)(C) of subsection (c) (as  
 21 in effect on October 22, 2004) if the  
 22 amendments made by section 243 of the  
 23 American Jobs Creation Act of 2004 had  
 24 never been enacted.

1                   “(B) RULE NOT TO APPLY TO SECURITIES  
 2                   HELD AFTER MATURITY DATE.—Subparagraph  
 3                   (A) shall not apply with respect to any security  
 4                   after the latest maturity date under the con-  
 5                   tract (as in effect on October 22, 2004) taking  
 6                   into account any renewal or extension permitted  
 7                   under the contract if such renewal or extension  
 8                   does not significantly modify any other terms of  
 9                   the contract.

10                   “(C) SUCCESSORS.—If the successor of a  
 11                   trust to which this paragraph applies acquires  
 12                   securities in a transaction to which section 381  
 13                   applies, such trusts shall be treated as a single  
 14                   entity for purposes of determining the holding  
 15                   period of such securities under subparagraph  
 16                   (A)(i).”.

17                   (3) Subparagraph (E) of section 857(b)(2) is  
 18                   amended by striking “section 856(c)(7)(B)(iii), and  
 19                   section 856(g)(1).” and inserting “section  
 20                   856(c)(7)(C), and section 856(g)(5)”.

21                   (4) Subsection (g) of section 243 of the Amer-  
 22                   ican Jobs Creation Act of 2004 is amended to read  
 23                   as follows:

24                   “(g) EFFECTIVE DATES.—

1           “(1) SUBSECTIONS (a) AND (b).—The amend-  
2           ments made by subsections (a) and (b) shall apply  
3           to taxable years beginning after December 31, 2000.

4           “(2) SUBSECTIONS (c) AND (e).—The amend-  
5           ments made by subsections (c) and (e) shall apply  
6           to taxable years beginning after the date of the en-  
7           actment of this Act.

8           “(3) SUBSECTION (d).—The amendment made  
9           by subsection (d) shall apply to transactions entered  
10          into after December 31, 2004.

11          “(4) SUBSECTION (f).—

12                 “(A) The amendment made by paragraph  
13                 (1) of subsection (f) shall apply to failures with  
14                 respect to which the requirements of subpara-  
15                 graph (A) or (B) of section 856(c)(7) of the In-  
16                 ternal Revenue Code of 1986 (as added by such  
17                 paragraph) are satisfied after the date of the  
18                 enactment of this Act.

19                 “(B) The amendment made by paragraph  
20                 (2) of subsection (f) shall apply to failures with  
21                 respect to which the requirements of paragraph  
22                 (6) of section 856(c) of the Internal Revenue  
23                 Code of 1986 (as amended by such paragraph)  
24                 are satisfied after the date of the enactment of  
25                 this Act.

1           “(C) The amendments made by paragraph  
 2           (3) of subsection (f) shall apply to failures with  
 3           respect to which the requirements of paragraph  
 4           (5) of section 856(g) of the Internal Revenue  
 5           Code of 1986 (as added by such paragraph) are  
 6           satisfied after the date of the enactment of this  
 7           Act.

8           “(D) The amendment made by paragraph  
 9           (4) of subsection (f) shall apply to taxable years  
 10          ending after the date of the enactment of this  
 11          Act.

12          “(E) The amendments made by paragraph  
 13          (5) of subsection (f) shall apply to statements  
 14          filed after the date of the enactment of this  
 15          Act.”.

16          (e) AMENDMENTS RELATED TO SECTION 244 OF  
 17          THE ACT.—

18               (1) Paragraph (2) of section 181(d) is amended  
 19          by striking the last sentence in subparagraph (A), by  
 20          redesignating subparagraph (B) as subparagraph  
 21          (C), and by inserting after subparagraph (A) the fol-  
 22          lowing new subparagraph:

23               “(B) SPECIAL RULES FOR TELEVISION SE-  
 24          RIES.—In the case of a television series—

1 “(i) each episode of such series shall  
2 be treated as a separate production, and

3 “(ii) only the first 44 episodes of such  
4 series shall be taken into account.”.

5 (2) Subparagraph (C) of section 1245(a)(2) is  
6 amended by inserting “181,” after “179B,”.

7 (f) AMENDMENT RELATED TO SECTION 245 OF THE  
8 ACT.—Subsection (b) of section 45G is amended to read  
9 as follows:

10 “(b) LIMITATION.—The credit allowed under sub-  
11 section (a) for any taxable year shall not exceed the prod-  
12 uct of—

13 “(1) \$3,500, and

14 “(2) the sum of—

15 “(A) the number of miles of railroad track  
16 owned or leased by the eligible taxpayer as of  
17 the close of the taxable year, and

18 “(B) the number of miles of railroad track  
19 assigned for purposes of this subsection to the  
20 eligible taxpayer by a Class II or Class III rail-  
21 road which owns or leases such railroad track  
22 as of the close of the taxable year.

23 Any mile which is assigned by a taxpayer under  
24 paragraph (2)(B) may not be taken into account by  
25 such taxpayer under paragraph (2)(A).”.

1 (g) AMENDMENTS RELATED TO SECTION 248 OF  
 2 THE ACT.—

3 (1) Subsection (c) of section 1356 is amend-  
 4 ed—

5 (A) by striking paragraph (3), and

6 (B) by adding at the end of paragraph (2)  
 7 the following new flush sentence:

8 “Such term shall not include any core qualifying activi-  
 9 ties.”.

10 (2) The last sentence of section 1354(b) is  
 11 amended by inserting “on or” after “only if made”.

12 (h) AMENDMENT RELATED TO SECTION 301 OF THE  
 13 ACT.—Section 6427 is amended by striking subsection (f).

14 (i) AMENDMENT RELATED TO SECTION 314 OF THE  
 15 ACT.—Paragraph (2) of section 55(c) is amended by strik-  
 16 ing “regular tax” and inserting “regular tax liability”.

17 (j) AMENDMENTS RELATED TO SECTION 322 OF THE  
 18 ACT.—

19 (1) Subparagraph (C) of section 49(a)(1) is  
 20 amended by inserting “and” at the end of clause (i),  
 21 by striking “and” at the end of clause (ii), and by  
 22 striking clause (iii).

23 (2)(A) Subparagraph (B) of section 194(b)(1)  
 24 is amended to read as follows:



“(B) DOLLAR LIMITATION.—The aggregate amount of reforestation expenditures which may be taken into account under subparagraph (A) with respect to each qualified timber property for any taxable year shall not exceed—

“(i) except as provided in clause (ii) or (iii), \$10,000,

“(ii) in the case of a separate return by a married individual (as defined in section 7703), \$5,000, and

“(iii) in the case of a trust, zero.”.

(B) Paragraph (4) of section 194(c) is amended to read as follows:

“(4) TREATMENT OF TRUSTS AND ESTATES.—

The aggregate amount of reforestation expenditures incurred by any trust or estate shall be apportioned between the income beneficiaries and the fiduciary under regulations prescribed by the Secretary. Any amount so apportioned to a beneficiary shall be taken into account as expenditures incurred by such beneficiary in applying this section to such beneficiary.”.

(3) Subparagraph (C) of section 1245(a)(2) is amended by striking “or 193” and inserting “193, or 194”.

1 (k) AMENDMENTS RELATED TO SECTION 336 OF  
2 THE ACT.—

3 (1) Clause (iv) of section 168(k)(2)(A) is  
4 amended by striking “subparagraphs (B) and (C)”  
5 and inserting “subparagraph (B) or (C)”.

6 (2) Clause (iii) of section 168(k)(4)(B) is  
7 amended by striking “and paragraph (2)(C)” and  
8 inserting “or paragraph (2)(C) (as so modified)”.

9 (l) AMENDMENT RELATED TO SECTION 402 OF THE  
10 ACT.—Paragraph (2) of section 904(g) is amended to read  
11 as follows:

12 “(2) OVERALL DOMESTIC LOSS.—For purposes  
13 of this subsection—

14 “(A) IN GENERAL.—The term ‘overall do-  
15 mestic loss’ means—

16 “(i) with respect to any qualified tax-  
17 able year, the domestic loss for such tax-  
18 able year to the extent such loss offsets  
19 taxable income from sources without the  
20 United States for the taxable year or for  
21 any preceding qualified taxable year by  
22 reason of a carryback, and

23 “(ii) with respect to any other taxable  
24 year, the domestic loss for such taxable  
25 year to the extent such loss offsets taxable

1 income from sources without the United  
2 States for any preceding qualified taxable  
3 year by reason of a carryback.

4 “(B) DOMESTIC LOSS.—For purposes of  
5 subparagraph (A), the term ‘domestic loss’  
6 means the amount by which the gross income  
7 for the taxable year from sources within the  
8 United States is exceeded by the sum of the de-  
9 ductions properly apportioned or allocated  
10 thereto (determined without regard to any  
11 carryback from a subsequent taxable year).

12 “(C) QUALIFIED TAXABLE YEAR.—For  
13 purposes of subparagraph (A), the term ‘quali-  
14 fied taxable year’ means any taxable year for  
15 which the taxpayer chose the benefits of this  
16 subpart.”.

17 (m) AMENDMENT RELATED TO SECTION 403 OF THE  
18 ACT.—Section 403 of the American Jobs Creation Act of  
19 2004 is amended by adding at the end the following new  
20 subsection:

21 “(d) TRANSITION RULE.—If the taxpayer elects (at  
22 such time and in such form and manner as the Secretary  
23 of the Treasury may prescribe) to have the rules of this  
24 subsection apply—

1 “(1) the amendments made by this section shall  
 2 not apply to taxable years beginning after December  
 3 31, 2002, and before January 1, 2005, and

4 “(2) in the case of taxable years beginning after  
 5 December 31, 2004, clause (iv) of section  
 6 904(d)(4)(C) of the Internal Revenue Code of 1986  
 7 (as amended by this section) shall be applied by sub-  
 8 stituting ‘January 1, 2005’ for ‘January 1, 2003’  
 9 both places it appears.”.

10 (n) AMENDMENTS RELATED TO SECTION 413 OF  
 11 THE ACT.—

12 (1) Subsection (b) of section 532 is amended by  
 13 striking paragraph (2) and redesignating paragraphs  
 14 (3) and (4) as paragraphs (2) and (3), respectively.

15 (2) Subsection (b) of section 535 is amended by  
 16 adding at the end the following new paragraph:

17 “(10) CONTROLLED FOREIGN CORPORA-  
 18 TIONS.—There shall be allowed as a deduction the  
 19 amount of the corporation’s income for the taxable  
 20 year which is included in the gross income of a  
 21 United States shareholder under section 951(a). In  
 22 the case of any corporation the accumulated taxable  
 23 income of which would (but for this sentence) be de-  
 24 termined without allowance of any deductions, the  
 25 deduction under this paragraph shall be allowed and

1       shall be appropriately adjusted to take into account  
2       any deductions which reduced such inclusion.”.

3       (o) AMENDMENT RELATED TO SECTION 415 OF THE  
4   ACT.—Subparagraph (D) of section 904(d)(2) is amended  
5   by inserting “as in effect before its repeal” after “section  
6   954(f)”.

7       (p) AMENDMENTS RELATED TO SECTION 418 OF  
8   THE ACT.—

9           (1) The second sentence of section 897(h)(1) is  
10   amended—

11           (A) by striking “any distribution” and all  
12           that follows through “any class of stock” and  
13           inserting “any distribution by a real estate in-  
14           vestment trust with respect to any class of  
15           stock”, and

16           (B) by striking “the taxable year” and in-  
17           serting “the 1-year period ending on the date of  
18           the distribution”.

19           (2) Subsection (c) of section 418 of the Amer-  
20   ican Jobs Creation Act of 2004 is amended by strik-  
21   ing “taxable years beginning after the date of the  
22   enactment of this Act” and inserting “any distribu-  
23   tion by a real estate investment trust which is treat-  
24   ed as a deduction for a taxable year of such trust

1       beginning after the date of the enactment of this  
2       Act”.

3       (q) AMENDMENTS RELATED TO SECTION 422 OF  
4       THE ACT.—

5           (1) Subparagraph (B) of section 965(a)(2) is  
6       amended by inserting “from another controlled for-  
7       eign corporation in such chain of ownership” before  
8       “, but only to the extent”.

9           (2) Subparagraph (A) of section 965(b)(2) is  
10      amended by inserting “cash” before “dividends”.

11          (3) Paragraph (3) of section 965(b) is amended  
12      by adding at the end the following: “The Secretary  
13      may prescribe such regulations as may be necessary  
14      or appropriate to prevent the avoidance of the pur-  
15      poses of this paragraph, including regulations which  
16      provide that cash dividends shall not be taken into  
17      account under subsection (a) to the extent such divi-  
18      dends are attributable to the direct or indirect trans-  
19      fer (including through the use of intervening entities  
20      or capital contributions) of cash or other property  
21      from a related person (as so defined) to a controlled  
22      foreign corporation.”.

23          (4) Paragraph (1) of section 965(c) is amended  
24      to read as follows:

1           “(1) APPLICABLE FINANCIAL STATEMENT.—

2           The term ‘applicable financial statement’ means—

3                   “(A) with respect to a United States  
4                   shareholder which is required to file a financial  
5                   statement with the Securities and Exchange  
6                   Commission (or which is included in such a  
7                   statement so filed by another person), the most  
8                   recent audited annual financial statement (in-  
9                   cluding the notes which form an integral part  
10                  of such statement) of such shareholder (or  
11                  which includes such shareholder)—

12                   “(i) which was so filed on or before  
13                   June 30, 2003, and

14                   “(ii) which was certified on or before  
15                   June 30, 2003, as being prepared in ac-  
16                   cordance with generally accepted account-  
17                   ing principles, and

18                   “(B) with respect to any other United  
19                   States shareholder, the most recent audited fi-  
20                   nancial statement (including the notes which  
21                   form an integral part of such statement) of  
22                   such shareholder (or which includes such share-  
23                   holder)—

24                   “(i) which was certified on or before  
25                   June 30, 2003, as being prepared in ac-

1 cordance with generally accepted account-  
 2 ing principles, and

3 “(ii) which is used for the purposes of  
 4 a statement or report—

5 “(I) to creditors,

6 “(II) to shareholders, or

7 “(III) for any other substantial  
 8 nontax purpose.”.

9 (5) Paragraph (2) of section 965(d) is amended  
 10 by striking “properly allocated and apportioned” and  
 11 inserting “directly allocable”.

12 (6) Subsection (d) of section 965 is amended by  
 13 adding at the end the following new paragraph:

14 “(4) COORDINATION WITH SECTION 78.—Sec-  
 15 tion 78 shall not apply to any tax which is not allow-  
 16 able as a credit under section 901 by reason of this  
 17 subsection.”.

18 (7) The last sentence of section 965(e)(1) is  
 19 amended by inserting “which are imposed by foreign  
 20 countries and possessions of the United States and  
 21 are” after “taxes”.

22 (8) Subsection (f) of section 965 is amended by  
 23 inserting “on or” before “before the due date”.

24 (r) AMENDMENTS RELATED TO SECTION 501 OF  
 25 THE ACT.—



(1) Subparagraph (A) of section 164(b)(5) is amended to read as follows:

“(A) ELECTION TO DEDUCT STATE AND LOCAL SALES TAXES IN LIEU OF STATE AND LOCAL INCOME TAXES.—At the election of the taxpayer for the taxable year, subsection (a) shall be applied—

“(i) without regard to the reference to State and local income taxes, and

“(ii) as if State and local general sales taxes were referred to in a paragraph thereof.”.

(2) Clause (ii) of section 56(b)(1)(A) is amended by inserting “or clause (ii) of section 164(b)(5)(A)” before the period at the end.

(s) AMENDMENTS RELATED TO SECTION 708 OF THE ACT.—Section 708 of the American Jobs Creation Act of 2004 is amended—

(1) in subsection (a), by striking “contract commencement date” and inserting “construction commencement date”, and

(2) by redesignating subsection (d) as subsection (e) and inserting after subsection (e) the following new subsection:

1       “(d) CERTAIN ADJUSTMENTS NOT TO APPLY.—Sec-  
 2       tion 481 of the Internal Revenue Code of 1986 shall not  
 3       apply with respect to any change in the method of ac-  
 4       counting which is required by this section.”.

5       (t) AMENDMENTS RELATED TO SECTION 710 OF THE  
 6       ACT.—

7               (1) Clause (ii) of section 45(b)(4)(B) is amend-  
 8       ed by striking “the date of the enactment of this  
 9       Act” and inserting “January 1, 2005,”.

10              (2) Clause (ii) of section 45(c)(3)(A) is amend-  
 11      ed by inserting “or any nonhazardous lignin waste  
 12      material” after “cellulosic waste material”.

13              (3) Subsection (e) of section 45 is amended by  
 14      striking paragraph (6).

15              (4)(A) Paragraph (9) of section 45(e) is amend-  
 16      ed to read as follows:

17              “(9) COORDINATION WITH CREDIT FOR PRO-  
 18      DUCING FUEL FROM A NONCONVENTIONAL  
 19      SOURCE.—

20              “(A) IN GENERAL.—The term ‘qualified  
 21      facility’ shall not include any facility which pro-  
 22      duces electricity from gas derived from the bio-  
 23      degradation of municipal solid waste if such  
 24      biodegradation occurred in a facility (within the  
 25      meaning of section 29) the production from

1           which is allowed as a credit under section 29  
2           for the taxable year or any prior taxable year.

3           “(B) REFINED COAL FACILITIES.—The  
4           term ‘refined coal production facility’ shall not  
5           include any facility the production from which  
6           is allowed as a credit under section 29 for the  
7           taxable year or any prior taxable year.”.

8           (B) Subparagraph (C) of section 45(e)(8) is  
9           amended by striking “and (9)”.

10          (5) Subclause (I) of section 168(e)(3)(B)(vi) is  
11          amended to read as follows:

12                               “(I) is described in subparagraph  
13                               (A) of section 48(a)(3) (or would be  
14                               so described if ‘solar and wind’ were  
15                               substituted for ‘solar’ in clause (i)  
16                               thereof and the last sentence of such  
17                               section did not apply to such subpara-  
18                               graph),”.

19          (6) Paragraph (4) of section 710(g) of the  
20          American Jobs Creation Act of 2004 is amended by  
21          striking “January 1, 2004” and inserting “January  
22          1, 2005”.

23          (u) AMENDMENT RELATED TO SECTION 801 OF THE  
24          ACT.—Paragraph (3) of section 7874(a) is amended to  
25          read as follows:

1           “(3) COORDINATION WITH SUBSECTION (b).—A  
 2           corporation which is treated as a domestic corpora-  
 3           tion under subsection (b) shall not be treated as a  
 4           surrogate foreign corporation for purposes of para-  
 5           graph (2)(A).”.

6           (v) AMENDMENTS RELATED TO SECTION 804 OF  
 7 THE ACT.—

8           (1) Subparagraph (C) of section 877(g)(2) is  
 9           amended by striking “section 7701(b)(3)(D)(ii)” and  
 10          inserting “section 7701(b)(3)(D)”.

11          (2) Subsection (n) of section 7701 is amended  
 12          to read as follows:

13          “(n) SPECIAL RULES FOR DETERMINING WHEN AN  
 14 INDIVIDUAL IS NO LONGER A UNITED STATES CITIZEN  
 15 OR LONG-TERM RESIDENT.—For purposes of this chap-  
 16 ter—

17           “(1) UNITED STATES CITIZENS.—An individual  
 18           who would (but for this paragraph) cease to be  
 19           treated as a citizen of the United States shall con-  
 20           tinue to be treated as a citizen of the United States  
 21           until such individual—

22           “(A) gives notice of an expatriating act  
 23           (with the requisite intent to relinquish citizen-  
 24           ship) to the Secretary of State, and

1 “(B) provides a statement in accordance  
 2 with section 6039G (if such a statement is oth-  
 3 erwise required).

4 “(2) LONG-TERM RESIDENTS.—A long-term  
 5 resident (as defined in section 877(e)(2)) who would  
 6 (but for this paragraph) be described in section  
 7 877(e)(1) shall be treated as a lawful permanent  
 8 resident of the United States and as not described  
 9 in section 877(e)(1) until such individual—

10 “(A) gives notice of termination of resi-  
 11 dency (with the requisite intent to terminate  
 12 residency) to the Secretary of Homeland Secu-  
 13 rity, and

14 “(B) provides a statement in accordance  
 15 with section 6039G (if such a statement is oth-  
 16 erwise required).”.

17 (w) AMENDMENT RELATED TO SECTION 811 OF THE  
 18 ACT.—Subsection (c) of section 811 of the American Jobs  
 19 Creation Act of 2004 is amended by inserting “and which  
 20 were not filed before such date” before the period at the  
 21 end.

22 (x) AMENDMENTS RELATED TO SECTION 812 OF  
 23 THE ACT.—

24 (1) Subsection (b) of section 6662 is amended  
 25 by adding at the end the following new sentence:

1 “Except as provided in paragraph (1) or (2)(B) of  
 2 section 6662A(e), this section shall not apply to the  
 3 portion of any underpayment which is attributable to  
 4 a reportable transaction understatement on which a  
 5 penalty is imposed under section 6662A.”

6 (2) Paragraph (2) of section 6662A(e) is  
 7 amended to read as follows:

8 “(2) COORDINATION WITH OTHER PEN-  
 9 ALTIES.—

10 “(A) COORDINATION WITH FRAUD PEN-  
 11 ALTY.—This section shall not apply to any por-  
 12 tion of an understatement on which a penalty  
 13 is imposed under section 6663.

14 “(B) COORDINATION WITH GROSS VALU-  
 15 ATION MISSTATEMENT PENALTY.—This section  
 16 shall not apply to any portion of an understate-  
 17 ment on which a penalty is imposed under sec-  
 18 tion 6662 if the rate of the penalty is deter-  
 19 mined under section 6662(h).”.

20 (3) Subsection (f) of section 812 of the Amer-  
 21 ican Jobs Creation Act of 2004 is amended to read  
 22 as follows:

23 “(f) EFFECTIVE DATES.—

24 “(1) IN GENERAL.—Except as provided in para-  
 25 graph (2), the amendments made by this section

1 shall apply to taxable years ending after the date of  
 2 the enactment of this Act.

3 “(2) DISQUALIFIED OPINIONS.—Section  
 4 6664(d)(3)(B) of the Internal Revenue Code of 1986  
 5 (as added by subsection (c)) shall not apply to the  
 6 opinion of a tax advisor if—

7 “(A) the opinion was provided to the tax-  
 8 payer before the date of the enactment of this  
 9 Act,

10 “(B) the opinion relates to one or more  
 11 transactions all of which were entered into be-  
 12 fore such date, and

13 “(C) the tax treatment of items relating to  
 14 each such transaction was included on a return  
 15 or statement filed by the taxpayer before such  
 16 date.”.

17 (y) AMENDMENT RELATED TO SECTION 814 OF THE  
 18 ACT.—Subparagraph (B) of section 6501(a)(10) is  
 19 amended by striking “(as defined in section 6111)”.

20 (z) AMENDMENT RELATED TO SECTION 815 OF THE  
 21 ACT.—Paragraph (1) of section 6112(b) is amended “(or  
 22 was required to maintain a list under subsection (a) as  
 23 in effect before the enactment of the American Jobs Cre-  
 24 ation Act of 2004)” after “a list under subsection (a)”.

1       (aa) AMENDMENTS RELATED TO SECTION 832 OF  
2 THE ACT.—

3           (1) Subsection (e) of section 853 is amended to  
4 read as follows:

5       “(e) TREATMENT OF CERTAIN TAXES NOT AL-  
6 LOWED AS A CREDIT UNDER SECTION 901.—This section  
7 shall not apply to any tax with respect to which the regu-  
8 lated investment company is not allowed a credit under  
9 section 901 by reason of subsection (k) or (l) of such sec-  
10 tion.”.

11           (2) Clause (i) of section 901(l)(2)(C) is amend-  
12 ed by striking “if such security were stock”.

13       (bb) AMENDMENTS RELATED TO SECTION 833 OF  
14 THE ACT.—

15           (1) Subsection (a) of section 734 is amended by  
16 inserting “with respect to such distribution” before  
17 the period at the end.

18           (2) So much of subsection (b) of section 734 as  
19 precedes paragraph (1) is amended to read as fol-  
20 lows:

21       “(b) METHOD OF ADJUSTMENT.—In the case of a  
22 distribution of property to a partner by a partnership with  
23 respect to which the election provided in section 754 is  
24 in effect or with respect to which there is a substantial  
25 basis reduction, the partnership shall—”.



1 (cc) AMENDMENT RELATED TO SECTION 835 OF THE  
 2 ACT.—Paragraph (3) of section 860G(a) is amended—

3 (1) in subparagraph (A)(iii)(I), by striking “the  
 4 obligation” and inserting “a reverse mortgage loan  
 5 or other obligation”, and

6 (2) by striking all that follows subparagraph  
 7 (C) and inserting the following:

8 “For purposes of subparagraph (A), any obligation  
 9 secured by stock held by a person as a tenant-stock-  
 10 holder (as defined in section 216) in a cooperative  
 11 housing corporation (as so defined) shall be treated  
 12 as secured by an interest in real property. For pur-  
 13 poses of subparagraph (A), any obligation originated  
 14 by the United States or any State (or any political  
 15 subdivision, agency, or instrumentality of the United  
 16 States or any State) shall be treated as principally  
 17 secured by an interest in real property if more than  
 18 50 percent of such obligations which are transferred  
 19 to, or purchased by, the REMIC are principally se-  
 20 cured by an interest in real property (determined  
 21 without regard to this sentence).”.

22 (dd) AMENDMENTS RELATED TO SECTION 836 OF  
 23 THE ACT.—

24 (1) Paragraph (1) of section 334(b) is amended  
 25 by striking “except that” and all that follows and in-

1       serting “except that, in the hands of such dis-  
2       tributee—

3               “(A) the basis of such property shall be  
4       the fair market value of the property at the  
5       time of the distribution in any case in which  
6       gain or loss is recognized by the liquidating cor-  
7       poration with respect to such property, and

8               “(B) the basis of any property described in  
9       section 362(e)(1)(B) shall be the fair market  
10      value of the property at the time of the dis-  
11      tribution in any case in which such distributee’s  
12      aggregate adjusted basis of such property would  
13      (but for this subparagraph) exceed the fair  
14      market value of such property immediately  
15      after such liquidation.”.

16      (2) Clause (ii) of section 362(e)(2)(C) is  
17      amended to read as follows:

18              “(ii) ELECTION.—Any election under  
19      clause (i) shall be made at such time and  
20      in such form and manner as the Secretary  
21      may prescribe, and, once made, shall be ir-  
22      revocable.”.

23      (ee) AMENDMENT RELATED TO SECTION 840 OF THE  
24      ACT.—Subsection (d) of section 121 is amended—

1           (1) by redesignating the paragraph (10) relat-  
 2           ing to property acquired from a decedent as para-  
 3           graph (11) and by moving such paragraph to the  
 4           end of such subsection, and

5           (2) by amending the paragraph (10) relating to  
 6           property acquired in like-kind exchange to read as  
 7           follows:

8           “(10) PROPERTY ACQUIRED IN LIKE-KIND EX-  
 9           CHANGE.—If a taxpayer acquires property in an ex-  
 10          change with respect to which gain is not recognized  
 11          (in whole or in part) to the taxpayer under sub-  
 12          section (a) or (b) of section 1031, subsection (a)  
 13          shall not apply to the sale or exchange of such prop-  
 14          erty by such taxpayer (or by any person whose basis  
 15          in such property is determined, in whole or in part,  
 16          by reference to the basis in the hands of such tax-  
 17          payer) during the 5-year period beginning with the  
 18          date of such acquisition.”.

19          (ff) AMENDMENT RELATED TO SECTION 849 OF THE  
 20          ACT.—Subsection (a) of section 849 of the American Jobs  
 21          Creation Act of 2004 is amended by inserting “, and in  
 22          the case of property treated as tax-exempt use property  
 23          other than by reason of a lease, to property acquired after  
 24          March 12, 2004” before the period at the end.

1 (gg) AMENDMENTS RELATED TO SECTION 853 OF  
 2 THE ACT.—

3 (1) Subparagraph (C) of section 4081(a)(2) is  
 4 amended by striking “for use in commercial avia-  
 5 tion” and inserting “for use in commercial aviation  
 6 by a person registered for such use under section  
 7 4101”.

8 (2) So much of paragraph (2) of section  
 9 4081(d) as precedes subparagraph (A) is amended  
 10 to read as follows:

11 “(2) AVIATION FUELS.—The rates of tax speci-  
 12 fied in clauses (ii) and (iv) of subsection (a)(2)(A)  
 13 shall be 4.3 cents per gallon—”.

14 (hh) AMENDMENT RELATED TO SECTION 884 OF  
 15 THE ACT.—Subparagraph (B) of section 170(f)(12) is  
 16 amended by adding at the end the following new clauses:

17 “(v) Whether the donee organization  
 18 provided any goods or services in consider-  
 19 ation, in whole or in part, for the qualified  
 20 vehicle.

21 “(vi) A description and good faith es-  
 22 timate of the value of any goods or services  
 23 referred to in clause (v) or, if such goods  
 24 or services consist solely of intangible reli-

1                   gious benefits (as defined in paragraph  
2                   (8)(B)), a statement to that effect.”.

3           (ii) AMENDMENTS RELATED TO SECTION 885 OF  
4 THE ACT.—

5           (1) Paragraph (2) of section 26(b) is amended  
6           by striking “and” at the end of subparagraph (R),  
7           by striking the period at the end of subparagraph  
8           (S) and inserting “, and”, and by adding at the end  
9           the following new subparagraph:

10                   “(T)     subsections     (a)(1)(B)(i)     and  
11                   (b)(4)(A) of section 409A (relating to interest  
12                   and additional tax with respect to certain de-  
13                   ferred compensation).”.

14           (2) Clause (ii) of section 409A(a)(4)(C) is  
15           amended by striking “first”.

16           (3)(A) Notwithstanding section 885(d)(1) of the  
17           American Jobs Creation Act of 2004, subsection (b)  
18           of section 409A of the Internal Revenue Code of  
19           1986 shall take effect on January 1, 2005.

20           (B) Not later than 90 days after the date of the  
21           enactment of this Act, the Secretary of the Treasury  
22           shall issue guidance under which a nonqualified de-  
23           ferred compensation plan which is in violation of the  
24           requirements of section 409A(b) of such Code shall  
25           be treated as not having violated such requirements

1 if such plan comes into conformance with such re-  
2 quirements during such limited period as the Sec-  
3 retary may specify in such guidance.

4 (4) Subsection (f) of section 885 of the Amer-  
5 ican Jobs Creation Act of 2004 is amended by strik-  
6 ing “December 31, 2004” the first place it appears  
7 and inserting “January 1, 2005”.

8 (jj) AMENDMENTS RELATED TO SECTION 898 OF  
9 THE ACT.—

10 (1) Paragraph (3) of section 361(b) is amended  
11 by inserting “(reduced by the amount of the liabil-  
12 ities assumed (within the meaning of section  
13 357(c)))” before the period at the end.

14 (2) Paragraph (1) of section 357(d) is amended  
15 by inserting “section 361(b)(3),” after “section  
16 358(h),”.

17 (kk) AMENDMENT RELATED TO SECTION 899 OF  
18 THE ACT.—Subparagraph (A) of section 351(g)(3) is  
19 amended by adding at the end the following: “If there is  
20 not a real and meaningful likelihood that dividends beyond  
21 any limitation or preference will actually be paid, the pos-  
22 sibility of such payments will be disregarded in deter-  
23 mining whether stock is limited and preferred as to divi-  
24 dends.”.

1        (ll) AMENDMENT RELATED TO SECTION 902 OF THE  
 2 ACT.—Paragraph (1) of section 709(b) is amended by  
 3 striking “taxpayer” both places it appears and inserting  
 4 “partnership”.

5        (mm) AMENDMENT RELATED TO SECTION 909 OF  
 6 THE ACT.—Clause (ii) of section 451(i)(4)(B) is amended  
 7 by striking “the close of the period applicable under sub-  
 8 section (a)(2)(B) as extended under paragraph (2)” and  
 9 inserting “December 31, 2006”.

10        (nn) EFFECTIVE DATE.—The amendments made by  
 11 this section shall take effect as if included in the provisions  
 12 of the American Jobs Creation Act of 2004 to which they  
 13 relate.

14 **SEC. 3. AMENDMENTS RELATED TO THE WORKING FAMI-**  
 15 **LIES TAX RELIEF ACT OF 2004.**

16        (a) AMENDMENT RELATED TO SECTION 201 OF THE  
 17 ACT.—Paragraph (2) of section 152(e) is amended to read  
 18 as follows:

19                “(2) REQUIREMENTS.—For purposes of para-  
 20 graph (1), the requirements described in this para-  
 21 graph are met if—

22                        “(A) a decree of divorce or separate main-  
 23 tenance or written separation agreement be-  
 24 tween the parents applicable to the taxable year  
 25 beginning in such calendar year provides that

1 the noncustodial parent shall be entitled to any  
 2 deduction allowable under section 151 for such  
 3 child, and in the case of such a decree or agree-  
 4 ment executed before January 1, 1985, the  
 5 noncustodial parent provides at least \$600 for  
 6 the support of such child during such calendar  
 7 year, or

8 “(B) the custodial parent signs a written  
 9 declaration (in such manner and form as the  
 10 Secretary may prescribe) that such parent will  
 11 not claim such child as a dependent for such  
 12 taxable year.

13 For purposes of subparagraph (A), amounts ex-  
 14 pended for the support of a child or children shall  
 15 be treated as received from the noncustodial parent  
 16 to the extent that such parent provided amounts for  
 17 such support.”.

18 (b) AMENDMENT RELATED TO SECTION 203 OF THE  
 19 ACT.—Subparagraph (B) of section 21(b)(1) is amended  
 20 by inserting “(as defined in section 152, determined with-  
 21 out regard to subsections (b)(1), (b)(2), and (d)(1)(B))”  
 22 after “dependent of the taxpayer”.

23 (c) AMENDMENT RELATED TO SECTION 207 OF THE  
 24 ACT.—Subparagraph (A) of section 223(d)(2) is amended



1 by inserting “, determined without regard to subsections  
2 (b)(1), (b)(2), and (d)(1)(B) thereof” after “section 152”.

3 (d) EFFECTIVE DATE.—The amendments made by  
4 this section shall take effect as if included in the provisions  
5 of the Working Families Tax Relief Act of 2004 to which  
6 they relate.

7 **SEC. 4. AMENDMENTS RELATED TO THE JOBS AND**  
8 **GROWTH TAX RELIEF RECONCILIATION ACT**  
9 **OF 2003.**

10 (a) AMENDMENTS RELATED TO SECTION 201 OF  
11 THE ACT.—

12 (1) Clause (ii) of section 168(k)(4)(B) is  
13 amended to read as follows:

14 “(ii) which is—

15 “(I) acquired by the taxpayer  
16 after May 5, 2003, and before Janu-  
17 ary 1, 2005, but only if no written  
18 binding contract for the acquisition  
19 was in effect before May 6, 2003, or

20 “(II) acquired by the taxpayer  
21 pursuant to a written binding contract  
22 which was entered into after May 5,  
23 2003, and before January 1, 2005,  
24 and”.

1           (2) Subparagraph (D) of section 1400L(b)(2) is  
 2           amended by striking “September 11, 2004” and in-  
 3           serting “January 1, 2005”.

4           (b) EFFECTIVE DATE.—The amendment made by  
 5           this section shall take effect as if included in section 201  
 6           of the Jobs and Growth Tax Relief and Reconciliation Act  
 7           of 2003.

8           **SEC. 5. AMENDMENT RELATED TO THE VICTIMS OF TER-**  
 9                                   **RORISM TAX RELIEF ACT OF 2001.**

10          (a) AMENDMENT RELATED TO SECTION 201 OF THE  
 11          ACT.—Paragraph (17) of section 6103(l) is amended by  
 12          striking “subsection (f), (i)(7), or (p)” and inserting “sub-  
 13          section (f), (i)(8), or (p)”.

14          (b) EFFECTIVE DATE.—The amendment made by  
 15          this section shall take effect as if included in section 201  
 16          of the Victims of Terrorism Tax Relief Act of 2001.

17          **SEC. 6. AMENDMENT RELATED TO THE TRANSPORTATION**  
 18                                   **EQUITY ACT FOR THE 21ST CENTURY.**

19          (a) AMENDMENT RELATED TO SECTION 9005 OF  
 20          THE ACT.—The last sentence of paragraph (2) of section  
 21          9504(b) is amended by striking “subparagraph (B)” and  
 22          inserting “subparagraph (C)”.

23          (b) EFFECTIVE DATE.—The amendment made by  
 24          this section shall take effect as if included in section 9005  
 25          of the Transportation Equity Act for the 21st Century.

1 **SEC. 7. AMENDMENTS RELATED TO THE TAXPAYER RELIEF**  
 2 **ACT OF 1997.**

3 (a) AMENDMENTS RELATED TO SECTION 1055 OF  
 4 THE ACT.—

5 (1) The last sentence of section 6411(a) is  
 6 amended by striking “6611(f)(3)(B)” and inserting  
 7 “6611(f)(4)(B)”.

8 (2) Paragraph (4) of section 6601(d) is amend-  
 9 ed by striking “6611(f)(3)(A)” and inserting  
 10 “6611(f)(4)(A)”.

11 (b) AMENDMENT RELATED TO SECTION 1144 OF  
 12 THE ACT.—Subparagraph (B) of section 6038B(a)(1) is  
 13 amended by inserting “or” at the end.

14 (c) EFFECTIVE DATE.—The amendments made by  
 15 this section shall take effect as if included in the provisions  
 16 of the Taxpayer Relief Act of 1997 to which they relate.

17 **SEC. 8. CLERICAL CORRECTIONS.**

18 (a) Subparagraph (C) of section 2(b)(2) is amended  
 19 by striking “subparagraph (C)” and inserting “subpara-  
 20 graph (B)”.

21 (b) Subparagraph (E) of section 26(b)(2) is amended  
 22 by striking “section 530(d)(3)” and inserting “section  
 23 530(d)(4)”.

24 (c)(1) Subclause (II) of section 38(c)(2)(A)(ii) is  
 25 amended by striking “or the New York Liberty Zone busi-  
 26 ness employee credit or the specified credits” and inserting

1 “, the New York Liberty Zone business employee credit,  
2 and the specified credits”.

3 (2) Subclause (II) of section 38(c)(3)(A)(ii) is  
4 amended by striking “or the specified credits” and insert-  
5 ing “and the specified credits”.

6 (3) Subparagraph (B) of section 38(c)(4) is amend-  
7 ed—

8 (A) by striking “includes” and inserting  
9 “means”, and

10 (B) by inserting “and” at the end of clause (i).

11 (d)(1) Subparagraph (A) of section 39(a)(1) is  
12 amended by striking “each of the 1 taxable years” and  
13 by inserting “the taxable year”.

14 (2) Subparagraph (B) of section 39(a)(3) is amended  
15 to read as follows:

16 “(B) paragraph (1) shall be applied by  
17 substituting ‘each of the 5 taxable years’ for  
18 ‘the taxable year’ in subparagraph (A) thereof,  
19 and”.

20 (e) Paragraph (5) of section 43(c) is amended to read  
21 as follows:

22 “(5) ALASKA NATURAL GAS.—For purposes of  
23 paragraph (1)(D)—

24 “(A) IN GENERAL.—The term ‘Alaska nat-  
25 ural gas’ means natural gas entering the Alaska

1 natural gas pipeline (as defined in section  
 2 168(i)(16) (determined without regard to sub-  
 3 paragraph (B) thereof)) which is produced from  
 4 a well—

5 “(i) located in the area of the State of  
 6 Alaska lying north of 64 degrees North  
 7 latitude, determined by excluding the area  
 8 of the Alaska National Wildlife Refuge (in-  
 9 cluding the continental shelf thereof within  
 10 the meaning of section 638(1)), and

11 “(ii) pursuant to the applicable State  
 12 and Federal pollution prevention, control,  
 13 and permit requirements from such area  
 14 (including the continental shelf thereof  
 15 within the meaning of section 638(1)).

16 “(B) NATURAL GAS.—The term ‘natural  
 17 gas’ has the meaning given such term by sec-  
 18 tion 613A(e)(2).”.

19 (f) Paragraph (2) of section 45I(a) is amended by  
 20 striking “qualified credit oil production” and inserting  
 21 “qualified crude oil production”.

22 (g) Subparagraph (E) of section 50(a)(2) is amended  
 23 by striking “section 48(a)(5)” and inserting “section  
 24 48(b)”.

25 (h)(1) Subsection (a) of section 62 is amended—

1           (A) by redesignating paragraph (19) (relating  
2       to costs involving discrimination suits, etc.), as  
3       added by section 703 of the American Jobs Creation  
4       Act of 2004, as paragraph (20), and

5           (B) by moving such paragraph after paragraph  
6       (19) (relating to health savings accounts).

7       (2) Subsection (e) of section 62 is amended by strik-  
8       ing “subsection (a)(19)” and inserting “subsection  
9       (a)(20)”.

10       (i) Paragraph (3) of section 167(f) is amended by  
11       striking “section 197(e)(7)” and inserting “section  
12       197(e)(6)”.

13       (j) Subparagraph (D) of section 168(i)(15) is amend-  
14       ed by striking “This paragraph shall not apply to” and  
15       inserting “Such term shall not include”.

16       (k) Paragraph (2) of section 221(d) is amended by  
17       striking “this Act” and inserting “the Taxpayer Relief Act  
18       of 1997”.

19       (l) Paragraph (8) of section 318(b) is amended by  
20       striking “section 6038(d)(2)” and inserting “section  
21       6038(e)(2)”.

22       (m) Subparagraph (B) of section 332(d)(1) is amend-  
23       ed by striking “distribution to which section 301 applies”  
24       and inserting “distribution of property to which section  
25       301 applies”.

1 (n) Paragraph (1) of section 415(l) is amended by  
2 striking “individual medical account” and inserting “indi-  
3 vidual medical benefit account”.

4 (o) The matter following clause (iv) of section  
5 415(n)(3)(C) is amended by striking “clauses” and insert-  
6 ing “clause”.

7 (p) Paragraph (12) of section 501(c) is amended—

8 (1) by striking “subparagraph (C)(iii)” in sub-  
9 paragraph (F) and inserting “subparagraph  
10 (C)(iv)”, and

11 (2) by striking “subparagraph (C)(iv)” in sub-  
12 paragraph (G) and inserting “subparagraph (C)(v)”.

13 (q) Clause (ii) of section 501(c)(22)(B) is amended  
14 by striking “clause (ii) of paragraph (21)(B)” and insert-  
15 ing “clause (ii) of paragraph (21)(D)”.

16 (r) Paragraph (1) of section 512(b) is amended by  
17 striking “section 512(a)(5)” and inserting “subsection  
18 (a)(5)”.

19 (s)(1) Subsection (b) of section 512 is amended—

20 (A) by redesignating paragraph (18) (relating  
21 to the treatment of gain or loss on sale or exchange  
22 of certain brownfield sites), as added by section 702  
23 of the American Jobs Creation Act of 2004, as para-  
24 graph (19), and

1 (B) by moving such paragraph to the end of  
2 such subsection.

3 (2) Subparagraph (E) of section 514(b)(1) is amend-  
4 ed by striking “section 512(b)(18)” and inserting “section  
5 512(b)(19)”.

6 (t)(1) Subsection (b) of section 530 is amended by  
7 striking paragraph (3) and by redesignating paragraphs  
8 (4) and (5) as paragraphs (3) and (4), respectively.

9 (2) Clause (ii) of section 530(b)(2)(A) is amended by  
10 striking “paragraph (4)” and inserting “paragraph (3)”.

11 (u) Section 881(e)(1)(C) is amended by inserting “in-  
12 terest-related dividend received by a controlled foreign cor-  
13 poration” after “shall apply to any”.

14 (v) Clause (i) of section 954(c)(1)(C) is amended by  
15 striking “paragraph (4)(A)” and inserting “paragraph  
16 (5)(A)”.

17 (w) Subparagraph (F) of section 954(c)(1) is amend-  
18 ed by striking “Net income from notional principal con-  
19 tracts.” after “Income from notional principal con-  
20 tracts.—”.

21 (x) Paragraph (23) of section 1016(a) is amended by  
22 striking “1045(b)(4)” and inserting “1045(b)(3)”.

23 (y) Paragraph (1) of section 1256(f) is amended by  
24 striking “subsection (e)(2)(C)” and inserting “subsection  
25 (e)(2)”.



1       (z) The matter preceding clause (i) of section  
 2 1031(h)(2)(B) is amended by striking “subparagraph”  
 3 and inserting “subparagraphs”.

4       (aa) Paragraphs (1) and (2) of section 1375(d) are  
 5 each amended by striking “subchapter C” and inserting  
 6 “accumulated”.

7       (bb) Each of the following provisions are amended by  
 8 striking “General Accounting Office” each place it ap-  
 9 pears therein and inserting “Government Accountability  
 10 Office”:

11           (1) Clause (ii) of section 1400E(c)(4)(A).

12           (2) Paragraph (1) of section 6050M(b).

13           (3) Subparagraphs (A), (B)(i), and (B)(ii) of  
 14 section 6103(i)(8).

15           (4) Paragraphs (3)(C)(i), (4), (5), and (6)(B)  
 16 of section 6103(p).

17           (5) Subsection (e) of section 8021.

18       (cc)(1) Clause (ii) of section 1400L(b)(2)(C) is  
 19 amended by striking “section 168(k)(2)(C)(i)” and insert-  
 20 ing “section 168(k)(2)(D)(i)”.

21       (2) Clause (iv) of section 1400L(b)(2)(C) is amended  
 22 by striking “section 168(k)(2)(C)(iii)” and inserting “sec-  
 23 tion 168(k)(2)(D)(iii)”.

1       (3) Subparagraph (D) of section 1400L(b)(2) is  
 2 amended by striking “section 168(k)(2)(D)” and inserting  
 3 “section 168(k)(2)(E)”.

4       (4) Subparagraph (E) of section 1400L(b)(2) is  
 5 amended by striking “section 168(k)(2)(F)” and inserting  
 6 “section 168(k)(2)(G)”.

7       (5) Paragraph (5) of section 1400L(c) is amended  
 8 by striking “section 168(k)(2)(C)(iii)” and inserting “sec-  
 9 tion 168(k)(2)(D)(iii)”.

10       (dd) Section 3401 is amended by redesignating sub-  
 11 section (h) as subsection (g).

12       (ee) Paragraph (2) of section 4161(a) is amended to  
 13 read as follows:

14               “(2) 3 PERCENT RATE OF TAX FOR ELECTRIC  
 15 OUTBOARD MOTORS.—In the case of an electric out-  
 16 board motor, paragraph (1) shall be applied by sub-  
 17 stituting ‘3 percent’ for ‘10 percent’.”.

18       (ff) Subparagraph (C) of section 4261(e)(4) is  
 19 amended by striking “imposed subsection (b)” and insert-  
 20 ing “imposed by subsection (b)”.

21       (gg) Subsection (a) of section 4980D is amended by  
 22 striking “plans” and inserting “plan”.

23       (hh) The matter following clause (iii) of section  
 24 6045(e)(5)(A) is amended by striking “for ‘\$250,000’.”  
 25 and all that follows through “to the Treasury.” and insert-

1 ing “for ‘\$250,000’. The Secretary may by regulation in-  
 2 crease the dollar amounts under this subparagraph if the  
 3 Secretary determines that such an increase will not mate-  
 4 rially reduce revenues to the Treasury.”.

5 (ii) Subsection (p) of section 6103 is amended—

6 (1) by striking so much of paragraph (4) as  
 7 precedes subparagraph (A) and inserting the fol-  
 8 lowing:

9 “(4) SAFEGUARDS.—Any Federal agency de-  
 10 scribed in subsection (h)(2), (h)(5), (i)(1), (2), (3),  
 11 (5), or (7), (j)(1), (2), or (5), (k)(8), (l)(1), (2), (3),  
 12 (5), (10), (11), (13), (14), or (17) or (o)(1), the  
 13 Government Accountability Office, the Congressional  
 14 Budget Office, or any agency, body, or commission  
 15 described in subsection (d), (i)(3)(B)(i) or 7(A)(ii),  
 16 or (l)(6), (7), (8), (9), (12), (15), or (16) or any  
 17 other person described in subsection (l)(16), (18),  
 18 (19), or (20) shall, as a condition for receiving re-  
 19 turns or return information—”,

20 (2) by amending paragraph (4)(F)(i) to read as  
 21 follows:

22 “(i) in the case of an agency, body, or  
 23 commission described in subsection (d),  
 24 (i)(3)(B)(i), or (l)(6), (7), (8), (9), or (16),  
 25 or any other person described in subsection

1 (l)(16), (18), (19), or (20) return to the  
2 Secretary such returns or return informa-  
3 tion (along with any copies made there-  
4 from) or make such returns or return in-  
5 formation undisclosable in any manner and  
6 furnish a written report to the Secretary  
7 describing such manner,” and

8 (3) by striking the first full sentence in the  
9 matter following subparagraph (F) of paragraph (4)  
10 and inserting the following: “If the Secretary deter-  
11 mines that any such agency, body, or commission,  
12 including an agency or any other person described in  
13 subsection (l)(16), (18), (19), or (20), or the Gov-  
14 ernment Accountability Office or the Congressional  
15 Budget Office, has failed to, or does not, meet the  
16 requirements of this paragraph, he may, after any  
17 proceedings for review established under paragraph  
18 (7), take such actions as are necessary to ensure  
19 such requirements are met, including refusing to dis-  
20 close returns or return information to such agency,  
21 body, or commission, including an agency or any  
22 other person described in subsection (l)(16), (18),  
23 (19), or (20), or the Government Accountability Of-  
24 fice or the Congressional Budget Office, until he de-

1       termines that such requirements have been or will be  
2       met.”.

3       (jj) Clause (ii) of section 6111(b)(1)(A) is amended  
4       by striking “advice or assistance” and inserting “aid, as-  
5       sistance, or advice”.

6       (kk) Section 6427 is amended by striking subsection  
7       (o) and by redesignating subsection (p) as subsection (o).

8       (ll) Paragraph (3) of section 6662(d) is amended by  
9       striking “the” before “1 or more”.

10   **SEC. 9. OTHER CORRECTIONS RELATED TO THE AMERICAN**  
11                   **JOBS CREATION ACT OF 2004.**

12       (a) AMENDMENTS RELATED TO SECTION 233 OF  
13       THE ACT.—

14               (1) Clause (vi) of section 1361(c)(2)(A) is  
15       amended—

16                   (A) by inserting “or a depository institu-  
17                   tion holding company (as defined in section  
18                   3(w)(1) of the Federal Deposit Insurance Act  
19                   (12 U.S.C. 1813(w)(1))” after “a bank (as de-  
20                   fined in section 581)”, and

21                   (B) by inserting “or company” after “such  
22                   bank”.

23       (2) Paragraph (16) of section 4975(d) is  
24       amended—

1 (A) in subparagraph (A), by inserting “or  
 2 a depository institution holding company (as de-  
 3 fined in section 3(w)(1) of the Federal Deposit  
 4 Insurance Act (12 U.S.C. 1813(w)(1))” after  
 5 “a bank (as defined in section 581)”, and

6 (B) in subparagraph (C), by inserting “or  
 7 company” after “such bank”.

8 (b) AMENDMENT RELATED TO SECTION 237 OF THE  
 9 ACT.—Subparagraph (F) of section 1362(d)(3) is amend-  
 10 ed by striking “a bank holding company” and all that fol-  
 11 lows through “section 2(p) of such Act)” and inserting  
 12 “a depository institution holding company (as defined in  
 13 section 3(w)(1) of the Federal Deposit Insurance Act (12  
 14 U.S.C. 1813(w)(1))”.

15 (c) AMENDMENTS RELATED TO SECTION 239 OF  
 16 THE ACT.—Paragraph (3) of section 1361(b) is amend-  
 17 ed—

18 (1) in subparagraph (A), by striking “and in  
 19 the case of information returns required under part  
 20 III of subchapter A of chapter 61”, and

21 (2) by adding at the end the following new sub-  
 22 paragraph:

23 “(E) INFORMATION RETURNS.—Except to  
 24 the extent provided by the Secretary, this para-  
 25 graph shall not apply to information returns

1           made by a qualified subchapter S subsidiary  
2           under part III of subchapter A of chapter 61.”.

3       (d) EFFECTIVE DATE.—The amendments made by  
4 this section shall take effect as if included in the provisions  
5 of the American Jobs Creation Act of 2004 to which they  
6 relate.

○